



King County Mental Health Chemical Abuse and Dependency Services Division 2002 Briefing Paper

STATE CUTS TO KING COUNTY RESERVES

BACKGROUND:

The 2002 legislative session resulted in \$7.8M in cuts to the fund balance held by King County Regional Support Network (RSN). The fund balance included a state risk reserve, operating reserves, and reserves that were required to be categorized as “unobligated” but which had been promised to community mental health providers to mitigate cuts to services in 2002. This cut to one-time funding allowed the state to plug a hole in its budget, but results in cuts that cannot be sustained in the future and removed funding from the county budget already promised to provider agencies.

ISSUES/CHALLENGES:

King RSN is required in its Prepaid Health Plan (PHP) contract to hold reserves of no more than 3.7% of annual Medicaid inpatient and outpatient revenues. The RSN has many programs outside of the PHP, yet the PHP contract asserts that it can limit the amount of reserve the RSN can hold to only the amount required for the PHP contract. This means that there can be no risk reserve held for locally funded programs, services to non-Medicaid individuals, or to protect the County from liability judgments.

The state Mental Health Division (MHD) determined that there was \$7.8M of risk reserve in King County that was not required for the state risk reserve. However, the fund balance held by King RSN includes funds earned from contracts other than the state PHP contract and from local funds. The state is taking those local funds along with the state funds.

In previous years, King RSN was advanced funds by the state MHD and the funds were reconciled. King RSN no longer has an advance contract with the state. The state risk reserve, which is all that can be maintained in King RSN's bank balance, is only 3.7% of revenues. The annual risk reserve is not enough money to fund even three weeks of services in King RSN. This is likely to result in late payment to providers. King RSN has been able to float funding for continuing programs where contracts were still under negotiation by the state, on the basis of goodwill and not wishing to disrupt services to vulnerable individuals. This will not be possible in the future, likely resulting in cash flow problems for provider agencies and the abrupt stopping and restarting of services to clients.

DATA:

The \$7.8M reduction to King RSN is being taken as a \$653,782 monthly reduction in the previous level of state consolidated funding.

RECOMMENDATION/LEGISLATIVE ACTION:

Restore mental health funding for King RSN to its previous level. The \$7.8 M reserve reduction was a one-time only cut and must not be continued. The reserve cut comes in addition to reductions to King RSN resulting from the funding redistribution formula that cuts approximately \$2M per year compounded each year over six years, and cuts to inpatient revenues of \$2.2M in SFY 02. The joint impact of these cuts is to devastate the continuum of mental health care in King RSN and to shift costs for mentally ill individuals to law enforcement, hospital emergency rooms, the criminal justice system, and social service providers. Lost funding has resulted in cuts in service to vulnerable individuals, and the cuts will continue to deepen. We urge that funding be restored to King RSN to offset the impact of these cuts.